

Interest Rate Policy

Reserve Bank of India Vide its Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009 has directed that the Board of each NBFC shall approve an interest rate model, taking in to account relevant factors such as cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances.

Further, the directives states that the rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different category of borrowers should be communicated to the borrowers / customers in the sanction letters to them.

In compliance with the said RBI directives, the interest rate model for Yunus Social Business Fund Bengaluru (YSBFB) Private Limited is given below.

Principles for determining interest rate for loans:

We have our own model for arriving at interest rates taking into consideration among other things such as the weighted average cost of funds, cost of capital and principal loss provision across the portfolio.

Risk:

The rate of interest for loans for the social business segment is arrived at through our interest rate model, cost on account of risk and tenor premium for the concerned business, business specific operating cost and margin is added to arrive at the lending rate.

Risk Category:

The final lending rate for our loans will be arrived at after taking into account the following:

- i. DSCR & interest coverage ratios, other credit & default risk metrics;
- ii. Historical financial performance;
- iii. Reputation and profile of the borrower;
- iv. Repayment track record of the borrower in case of existing debt;
- v. Future potential and scalability;
- vi. Social impact metrics and focus on targeting underserved populations; and
- vii. Business model sustainability.

Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.

- Interest rate models, base lending rate and other charges, and their periodic revisions are made available to our prospective and existing customers through our Portfolio Team. Prior to entering into an agreement with our customers, we provide them with our statement of charges and interest and address their queries and questions on the same, to their satisfaction.
- The rate of interest for the loans and tenor availed during same period by different customers need not to be standardized. It could vary for different customers depending upon consideration of any or combination of above factors.
- The interest rates are offered on fixed basis.

- The interest is charged on daily declining balance method.
- Interest rates would be intimated to the customers at the time of sanction / availing of the loan and EMI apportionment towards interest and principal dues would be made available to the customer.
- The interest shall be deemed payable immediately on the due date as communicated. Applicable grace period for payment of principal is allowed.
- Changes in the interest rates and charges would be prospective in effect and intimation of change of interest or other charges would be communicated to our customers in writing.
- Besides interest, other financial charges like processing fees, origination fees, late payment charges, pre-payment / foreclosure charges, would be levied by the us wherever considered necessary as per the terms of the loan communicated. Besides these charges, stamp duty, service tax and other cess would be collected at applicable rates from time to time. Any revision in these charges would be from prospective effect.
- Claims for refund or waiver of charges / penal interest / additional interest would normally not be entertained by us and it is at the sole discretion of the YSBFB to deal with such requests.
- Any revision in our interest rates applicable to business would be reviewed and approved by the Board of Directors.